

STATEMENT BY
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HEALTH AND HUMAN SERVICES



TESTIMONY BEFORE THE
UNITED STATES SENATE
COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON LABOR,
HEALTH AND HUMAN SERVICES,
EDUCATION, AND
RELATED AGENCIES

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Good morning Mr. Chairman, Ranking Member Harkin, and members of the Subcommittee. I am honored to be here today to present to you the President's FY 2006 Budget for the Department of Health and Human Services (HHS). The President and I share an aggressive agenda for the upcoming fiscal year, in which HHS advances a healthier, stronger America while upholding fiscal responsibility and good stewardship of the People's money.

In his February 2nd State of the Union Address, the President underscored the need to restrain spending in order to sustain our economic prosperity. As part of this restraint, it is important that total discretionary and non-security spending be held to levels proposed in the President's FY 2006 Budget. The budget savings and reforms in the President's Budget are important components of achieving the President's goal of cutting the budget deficit in half by 2009 and we urge the Congress to support these reforms. The President's FY 2006 Budget includes more than 150 reductions, reforms, and terminations in non-defense discretionary programs, 19 of which affect HHS programs. The Department wants to work with the Congress to achieve these savings.

The President's health agenda leads us towards a nation of healthier Americans, where health insurance is within the reach of every American, where American workers have a comparative advantage in the global economy because they are healthy and productive, and where health technology allows for a better health care system that produces fewer mistakes and better outcomes at lower costs. The FY 2006 HHS budget advances this agenda.

The FY 2006 HHS budget funds the transition towards a health care system where informed consumers will own their personal health records, health savings accounts, and health insurance. It enables seniors and people with disabilities to choose where they receive long-term care and from whom they receive it. Equally important, it builds on the Department's Strategic Plan and enables HHS to foster strong, sustained advances in the sciences underlying medicine, in public health, and in social services.

To support our goals, President Bush proposes outlays of \$642 billion for HHS, a 10 percent increase over FY 2005 spending, and more than a 50 percent increase over FY 2001 spending. The proposed FY 2006 HHS budget increase accounts for almost two-thirds of the entire proposed federal budget increase in FY 2006. The overall discretionary portion of the President's HHS budget totals \$67 billion in budget authority and \$71 billion in program level funding. The discretionary portion of programs covered by this subcommittee totals \$62.4 billion in budget authority and \$65.3 billion in program level funding.

The Department will direct its resources and efforts in FY 2006 towards:

- Providing access to quality health care;
- Enhancing public health and protecting America;
- Supporting a compassionate society; and
- Improving HHS management.

The President and the Department considered a number of factors in constructing the FY 2006 budget, including the need for spending discipline and program effectiveness to help cut the deficit in half over four years. Specifically, the budget decreases funding for lower-priority programs and one-time projects, consolidates or eliminates programs with duplicative missions, reduces administrative costs, and makes government more efficient. For example, the budget requests no funding for the Community Services Block Grant that was unable to demonstrate results in Program Assessment Rating Tool evaluation. Instead, the Administration proposes to focus economic and community development activities through a more targeted and unified program to be administered by the Department of Commerce. It is due to this scrutiny that I am certain the proposed increases in spending will enable the Department to continue to provide for the health, safety, and well-being of our People.

Americans enjoy the finest health care in the world. This year's budget provides opportunities to make quality health care more affordable and accessible to millions more Americans. Our challenge is to ensure that everyone has access to health insurance.

PROVIDING ACCESS TO QUALITY HEALTH CARE

MMA Implementation

The next important step toward meeting this challenge is the implementation of the Medicare Modernization Act (MMA), including the Medicare Prescription Drug Benefit and the new Medicare Advantage regional health plans. The Centers for Medicare and Medicaid Services (CMS) administrative budget request of \$3.2 billion includes \$560 million for implementing the new voluntary drug benefit that begins January 1, 2006, enhanced health plan choices in Medicare Advantage, as well as numerous other MMA provisions. The new prescription drug benefit will cost \$58.9 billion in 2006 and will be financed through beneficiary premiums and general revenue. The President's Budget also proposes \$75 million for program integrity efforts to combat fraud and abuse in the new Part D and Medicare Advantage programs.

February 15, 2004 was the final date for plans to submit Medicare Advantage 2005 applications to provide coordinated care plans, including local preferred provider organizations (PPOs). The deadline for stand-alone prescription drug plans, new Medicare Advantage contractors, and regional PPOs to submit their "Notice of Intent to Apply" was February 18, 2005. CMS has received significant initial interest from potential prescription drug plan sponsors to offer the Medicare drug benefit throughout the Nation. In addition, insurance plans have expressed interest in significantly expanding Medicare Advantage service areas providing more options to Medicare beneficiaries.

Medicaid

The President and I are also committed to improving Medicaid. Medicaid provides health insurance for more than 46 million Americans, but as you are all aware, States still complain about overly burdensome rules and regulations, and the state-federal financing system remains prone to abuse.

This year, for the first time ever, States spent more on Medicaid than they spent on education. Over the next ten years, American taxpayers will spend nearly \$5 trillion on Medicaid in combined state and federal spending. The Department plans to make sure tax dollars are used more efficiently by building on the success of the State Children's Health Insurance Program (SCHIP) and waiver programs that allow states the flexibility to construct targeted benefit packages, coordinate with private insurance, and extend coverage to higher income and non-traditional Medicaid populations. Additionally, we estimate that proposals included in the President's Budget to strengthen program integrity and ensure that Medicaid doesn't overpay for drugs will create \$60 billion in new savings over a ten-year period.

The President plans to expand coverage for the key populations served in Medicaid and SCHIP by spending \$15.5 billion on targeted activities over ten years. The President's Budget includes several proposals to provide coverage, including the Cover the Kids campaign to enroll more eligible uninsured children in Medicaid and SCHIP. In addition, the extension of the Qualified Individual and transitional medical assistance programs will ensure coverage is available to continue full payment (subject to a spending limit) of Medicare Part B premiums for qualified individuals, and provide coverage for families that lose eligibility for Medicaid due to earnings from employment. The Department projects that over 50 million individuals will be covered by Medicaid and SCHIP in FY 2006, at a federal cost of \$198 billion.

Community Health Centers

In addition to expanding access through Medicaid and SCHIP, the President's Budget builds on the Department's aggressive efforts to help those who are uninsured or underinsured by expanding the good work of community health centers. These centers provide quality, compassionate care to the patients who need our help the most, regardless of their ability to pay.

The President's Budget requests \$2 billion, a \$304 million increase from FY 2005, to fund community health centers. This request completes the President's commitment to create 1,200 new or expanded sites to serve an additional 6.1 million people by 2006. By the end of FY 2006, the Health Centers program will deliver high quality, affordable health care to over 16 million patients at more than 4,000 sites across the country. Health centers are effectively targeted to eliminate health disparities and provide a range of essential services. In 2006, health centers will serve an estimated 16 percent of the Nation's population who are at or below 200 percent of the federal poverty level. Almost forty percent of Health Center patients have no health insurance and 64 percent are racial or ethnic minorities. In addition, the President has set a new goal to help every poor county in America that lacks a community health center by establishing a community health center in counties that can support one, or a rural health center. The President's Budget includes \$26 million to fund 40 new health centers in high poverty counties.

Ryan White/HIV

Our request also includes approximately \$18 billion for domestic AIDS care, treatment, research, and prevention. We are committed to the reauthorization of the Ryan White CARE Act treatment

programs, consistent with the President's reauthorization principles of prioritizing lifesaving services including HIV/AIDS medications and care; providing more flexibility to target resources; and ensuring accountability by measuring progress. The President's Budget requests a total of \$2.1 billion for Ryan White activities, including \$798 million for lifesaving medications through the AIDS Drug Assistance Program.

Providing Access to Quality Health Care: The Administration's Comprehensive Plan

These projects and reforms, as well as those at other Departments, cooperate to extend health care and insurance to millions of people. For instance, the President proposes to spend more than \$125.7 billion over ten years to expand insurance coverage to millions of Americans through tax credits, purchasing pools, and Health Savings Accounts. The proposed Traditional Health Insurance Tax Credit would pay for 90 percent of the cost of the premium of standard coverage, up to a maximum of \$1,000 for an individual, and \$3,000 for a family of four. The proposed Health Insurance Tax Credit for those with Health Savings Accounts (HSAs) would allow individuals to use a portion of the credit to purchase a high-deductible health plan while putting the remaining portion of the credit in an HSA. The Administration also proposes legislation that would allow small employers, civic groups, and community organizations to band together and leverage purchasing power to negotiate lower-priced coverage for their employees, members, and their families through Association Health Plans (AHPs). As opposed to previous proposals that limited AHPs to small businesses, this proposal also applies to private, non-profit, and multi-state entities outside the workplace.

Thanks to the comprehensive nature of this vision, workers are already investing money tax-free for medical expenses through Health Savings Accounts, Americans have increasing flexibility to accumulate savings and to change jobs when they wish, and more Americans are accessing high-quality health care. We estimate that 12 to 14 million additional people will gain health insurance over the next ten years.

ENHANCING PUBLIC HEALTH AND PROTECTING AMERICA

Bioterrorism Preparedness

Since 2001, your support for HHS's bioterrorism efforts has been unwavering. As a result we have made tremendous strides in protecting our Nation from various threats. The HHS FY 2006 budget builds upon these achievements to strengthen our ability to minimize the number of casualties that would occur as a result of a bioterrorist attack, or other attack with weapons of mass destruction. From 2001 to 2005, HHS invested nearly \$15 billion to prepare our Nation's health systems. The FY 2006 budget requests \$4.3 billion to continue this work, a 1500% increase from the 2001, pre-9/11 level.

The FY 2006 request places the highest priority on those programs that address readiness issues for which there is a unique federal role. These include the new mass casualty initiative, the Strategic National Stockpile (SNS), and National Institutes of Health (NIH) research on next-generation countermeasures.

HHS has a responsibility to lead public health and medical services during major disasters and emergencies. Toward this end, the President's Budget would invest \$70 million in a new effort to develop federal mass casualty treatment capacity that can be rapidly deployed and staffed to supplement the surge capacity being developed at the state and local level. Of this amount, \$50 million, financed through the SNS, will be used to procure and manage the mass casualty treatment units. The Medical Reserve Corps will be expanded by \$12.5 million to support the enrollment, training, and credentialing of volunteers that could be deployed in the event of a national emergency. A new \$7.5 million effort will fund the development of a secure database that can consolidate healthcare provider credentialing information from federal, state, and non-government sources for quick retrieval in a major emergency. This activity will be fully coordinated with the state-based Emergency System for Advance Registration of Volunteer Healthcare Personnel that the Health Services and Resources Administration (HRSA) sponsors.

The Strategic National Stockpile's goal is to provide state and local governments the pharmaceuticals and supplies they would need to minimize casualties from a bioterrorist attack or other major public health emergency within 12 hours. The budget requests a total of \$600 million for the SNS, an increase of \$203 million above the FY 2005 enacted level (including the \$50 million for mass casualty treatment units discussed earlier). The Administration has continued to reassess the stocks that are needed to best protect the American population. As a result, by the end of FY 2006, the SNS will have sufficient antibiotics to provide prophylaxis to up to 60 million Americans exposed to the anthrax organism. The SNS will set up the highly specialized cold storage capacity needed for the IND vaccines procured through BioShield. Substantial funds will also be used to replace medications that are losing potency, and to maintain the capacity needed to deploy assets to any part of the Nation within hours of the detection of an event.

Our Nation's ability to detect and counter bioterrorism ultimately depends on the state of biomedical science, and NIH will continue to ensure full coordination of research activities with other federal agencies in this battle. The President's Budget includes \$1.8 billion for NIH biodefense research efforts, a net increase of \$56 million. When this is adjusted for non-recurring extramural construction in FY 2005, NIH biodefense research activities grow by \$175 million, or 11 percent, over FY 2005. Included in this total is a \$50 million initiative budgeted in the Public Health and Social Services Emergency Fund to develop new medical countermeasures against chemicals that could be used as weapons of mass destruction.

HHS continues to have a strong commitment to preparing States and local public health departments and hospitals to prepare against public health emergencies and acts of bioterrorism. From FY 2002 to FY 2005, \$5.4 billion has been invested in this work through the Centers for Disease Control (CDC) and HRSA's ongoing state and local preparedness programs. The FY 2006 budget includes \$1.3 billion more for this work, increasing the cumulative total to \$6.7 billion.

Influenza

Since the H5N1 strain of avian influenza first appeared in 1997, public health officials have grown increasingly concerned about the possibility that a pandemic strain will emerge that could cause an additional 90,000 to 300,000+ deaths in the United States. Avian influenza has reappeared in Southeast Asia again this year, indicating that the virus has become endemic. The FY 2006 budget continues to expand HHS's efforts to be prepared in the event this or another deadly influenza strain changes in a way that makes it easily communicable from person to person.

Since FY 2001, HHS has increased its direct expenditures related to influenza vaccine from \$42 million to \$439 million in FY 2006, in addition to insurance reimbursement payments through Medicare. The FY 2006 budget includes targeted efforts to ensure a stable supply of annual influenza vaccine, to improve access to influenza vaccine for children and Medicare beneficiaries, to develop the surge capacity that would be needed in a pandemic, and to improve the response to emerging infectious diseases before they reach the United States.

Increasing the use of annual influenza vaccinations will both reduce annual morbidity/mortality, and make the Nation better prepared in the event of a pandemic. CDC estimates that 185 million people should receive annual immunizations—but fewer than half of that number have ever been immunized in a given year. The President's Budget seeks to increase annual immunization rates by both making sure an ample supply is manufactured each year and working to ensure it is used. The President's Budget includes several initiatives within CDC's two immunization programs to expand the production of bulk monovalent and finished influenza vaccine for the 2006/7 influenza season. CDC will invest \$70 million in new resources to build vaccine stockpiles. First, CDC will set aside \$40 million in new mandatory Vaccines for Children (VFC) budget authority for a stockpile of finished pediatric influenza vaccine that can be used in the event of a late-season surge in demand; the first ever stockpile was purchased for the winter of 2004/5. Second, CDC's discretionary Section 317 program will invest \$30 million in contracts to get manufacturers to make additional bulk monovalent vaccine over and above the amounts the companies expect to use for the 2006/7 season. This added bulk vaccine will be available to be turned into finished vaccine if other producers experience problems, or if an unusually high demand for vaccine is anticipated. Bulk vaccine not used for the 2006/7 season will be kept for potential use the following year. Commonly, one or two of the strains in the trivalent influenza vaccine remain the same from one year to the next.

HHS is also continuing its efforts to expand annual influenza immunizations. The Section 317 program will also use increased funding of \$20 million over FY 2005 to purchase an estimated two million doses of influenza vaccine for the 2006/7 influenza season to help states expand vaccination for children. Centers for Medicare and Medicaid Services has taken steps to ensure that physicians have appropriate incentives to improve vaccination rates. Since 2002, the Medicare reimbursement rate for the administration of influenza vaccine has increased more than four times, from an average of \$3.98 in 2002 to \$18.57 in 2005. The reimbursement rate for the vaccine product also increased, from \$8.02 to \$10.10.

To ensure sufficient vaccine can be made quickly in a pandemic, the Nation needs to develop the

ability to surge domestic vaccine production as soon as scientists determine that a pandemic strain has emerged. The President's Budget increases the Department's investment in pandemic preparedness efforts by \$21 million, for a total of \$120 million in FY 2006. This increase will be used to develop the year-round domestic surge vaccine production capacity that would be needed in a pandemic; this added surge capacity could also be used to respond to unexpected problems in the production of annual vaccines. It will finance contracts with vaccine manufacturers to develop and license influenza vaccines using new production techniques and establishing a domestic manufacturing capability. HHS will continue to ensure a year-round supply of specialized eggs needed for domestic production of currently licensed vaccines. Manufacturers will be encouraged to license and implement new processing and other technologies to improve vaccine yields from both new cell culture vaccines and existing egg-based vaccines. In addition, HHS will sponsor the development and licensing of antigen-sparing strategies that would increase the number of individuals who could be vaccinated from a given amount of bulk vaccine product. Finally, the President's Budget maintains the flexibility to redirect these funds to initiate pandemic vaccine production at any time a pandemic appears imminent.

To improve our nation's long-term preparedness and enhance the annual vaccine supply, NIH will invest approximately \$120 million in influenza-related research—nearly six times the FY 2001 level. Research areas include new cell culture techniques for flu vaccine production, which complements the advanced development; vaccines for potential pandemic strains, including H5N1; next-generation antiviral drugs; rapid, ultra-sensitive diagnostic devices to detect influenza virus infection; and ways to make flu vaccine more effective among the elderly.

These research and advanced development efforts will be complemented by expanding funding for CDC's Global Disease Detection initiatives by \$12 million, from \$22 million to \$34 million in FY 2006, to improve our ability to prevent and control outbreaks before they reach the United States.

Childhood Immunization

The President's Budget includes proposed legislation in the mandatory VFC program to improve low-income children's access to routine immunizations that I believe members of this committee should strongly support. This proposed legislation would ensure that all children have access to all routinely recommended vaccines regardless of cost—such as the newly-approved meningococcal conjugate vaccine. This legislation would enable any child who is currently entitled to receive VFC vaccines to receive them at state and local public health clinics. There are hundreds of thousands of underinsured children who are entitled to VFC vaccines, but can receive them only at HRSA-funded health centers and other Federally Qualified Health Centers. When these children go to a state or local public health clinic, they are unable to receive vaccines through the VFC program—and the State may decide not to use scarce discretionary dollars to provide newer, more expensive vaccines. This legislation will expand access to routine immunizations by eliminating this barrier to coverage and will help States meet the rising costs of new and better vaccines. As modern technology and research has generated new and better vaccines, that cost has risen dramatically. For example, when the pneumococcal conjugate vaccine became available, it increased the cost of vaccines to fully-immunize a child by

approximately 80 percent. A new meningococcal vaccine has recently been approved that will further raise the cost to fully immunize a child—making this legislation even more important.

Focus on the Future - Health Information Technology and NIH

Our FY 2006 budget was also constructed with the knowledge that health information technology will improve the practice of medicine and make it more efficient. For example, the rapid implementation of secure and interoperable electronic health records will significantly improve the safety, quality, and cost-effectiveness of health care. To implement this vision, we are requesting an investment of \$125 million. The Office of the National Coordinator for Health Information Technology would spend \$75 million to provide strategic direction for development of a national interoperable health care system, and to address barriers to the widespread adoption of electronic health records. The Agency for Health Care Quality and Research continues to direct \$50 million to accelerate the development, adoption, and diffusion of interoperable information technology in a range of health care settings.

Equally important, major advances in knowledge about life sciences, especially the sequencing of the human genome, are opening dramatic new opportunities for biomedical research. Heretofore un-imagined prospects for more precisely predicting individual susceptibility to disease and responses to medication are now close at hand, as are new approaches to diagnosing, preventing, and treating disease and disability. These advances have been driven by the investments in research made by the National Institutes of Health (NIH), the world's largest and most distinguished organization dedicated to medical science.

The FY 2006 budget request for NIH of \$28.8 billion seeks to capitalize on the opportunities these investments have created to further improve the health of the Nation. The NIH budget is built upon and reflects the tremendous growth in biomedical research spending in recent years. In FY 2006, over \$24 billion of the \$28.8 billion requested for NIH will flow out to the extramural community, which supports work by more than 200,000 research personnel affiliated with approximately 3,000 university, hospital, and other research facilities across our great Nation. These funds will support nearly 39,000 investigator-initiated research project grants in FY 2006, including an estimated 9,463 new and competing awards. NIH will also fund close to 1,400 research centers, over 17,400 research trainees, and much more.

In FY 2006, NIH will also continue to implement the Roadmap for Medical Research by spending a total of \$333 million, an increase of \$98 million over FY 2005, on initiatives to target research gaps and opportunities that no single NIH institute could solve alone. The budget request also emphasizes efforts to enhance collaborations for multidisciplinary neuroscience research and accelerate efforts to develop and evaluate vaccines against HIV/AIDS. Within this total, NIH will also increase funding to address critical requirements in biodefense, including a targeted \$50 million research effort to develop new medical countermeasures for chemicals that can be used as weapons of mass destruction.

SUPPORTING A COMPASSIONATE SOCIETY

Faith-Based and Community Organizations

As part of the Administration's Faith-Based and Community Initiative, the HHS FY 2006 budget maintains a commitment to strengthen the capacity of faith-based and community organizations, including the Access to Recovery program, the Compassion Capital Fund, the Mentoring Children of Prisoners program, and Maternity Group Homes.

The toll of drug abuse on the individual, family, and community is both significant and cumulative. Abuse may lead to lost productivity and educational opportunity, lost lives, and to costly social and public health problems, including HIV/AIDS, domestic violence, child abuse, and crime. Through the Access to Recovery program, HHS will assist States in expanding access to clinical treatment and recovery support services and allow individuals to exercise choice among qualified community provider organizations, including those that are faith-based. This program recognizes that there are many pathways of recovery from addiction. Through Access to Recovery individuals are assessed, given a voucher for appropriate services, and provided with a list of providers from which they can choose. Fourteen States and one tribal organization were awarded Access to Recovery funding in FY 2004, the first year of funding for the initiative. The funded entities have identified target populations that include youth, individuals involved with the criminal justice system, women, individuals with co-occurring disorders, and homeless individuals. The President's Budget increases support for the Access to Recovery initiative by 50 percent, for a total of \$150 million, and will support a total of 22 States participating.

The Compassion Capital Fund advances the efforts of community and charitable organizations, including faith-based organizations, to increase their effectiveness and enhance their ability to provide social services where they are needed. The President's Budget includes \$100 million, an increase of \$45 million in support of the Compassion Capital Fund.

Within this program, the President has proposed a new focus on young Americans that will include support for programs that help youth overcome the specific risk of gang influence and involvement. This three-year, \$150-million initiative will provide grants to faith-based and community organizations targeting youth ages 8-17, and will help some of America's communities that are most in need. These organizations will provide a positive model for youth—one that respects women and rejects violence.

Abstinence

Expanding abstinence education programs are also part of a comprehensive and continuing effort of the Administration, because they help adolescents avoid behaviors that could jeopardize their futures. Last year, HHS integrated abstinence education activities with positive youth development efforts at the Administration for Children and Families (ACF), by transferring the Community-Based Abstinence Education program and the Abstinence Education Grants to States to ACF. The HHS FY 2006 budget expands activities to educate adolescents and parents about the health risks associated with early sexual activity and provide them with the tools needed to help adolescents make healthy choices. The programs focus on educating adolescents ages 12 through 18, and create a positive environment within communities to support adolescents'

decisions to postpone sexual activity. Where appropriate, the programs also offer mentoring, counseling, and adult supervision to promote abstinence with a focus on those groups which are most likely to bear children out of wedlock. A total of \$206 million, an increase of \$39 million, is requested for these activities.

Head Start

The Head Start program helps ensure that children, primarily in low-income families, are ready to succeed in school by supporting their social and cognitive development. Head Start programs also engage parents in their child's preschool experience by helping them achieve their own educational, literacy, and employment goals. The HHS FY 2006 budget of \$6.9 billion will provide comprehensive child development services to 919,000 children. This level includes an increase of \$45 million to support the President's initiative to improve Head Start by funding nine state pilot projects to coordinate state preschool, child care, and Head Start in a comprehensive system of early childhood programs for low-income children.

Temporary Assistance for Needy Families

It has been three years since President Bush first proposed his strategy for reauthorizing TANF and the other critical programs included in welfare reform. During this time, the issues have been debated thoroughly but the work has not been completed and States have been left to wonder how they should proceed. We believe it is important to finish this work as soon as possible and set a strong, positive course for helping America's families. The proposal is guided by four critical goals that will transform the lives of low-income families: strengthen work, promote healthy families, give States greater flexibility, and demonstrate compassion to those in need.

Administration on Aging

The President's Budget requests a total of \$1.4 billion in the Administration on Aging for programs that serve the most vulnerable elderly Americans, who otherwise lack access to healthy meals, preventive care, and other supports that enable them to remain in their home communities and out of nursing facilities. It also continues investments in program innovations to test new models of home and community-based care.

IMPROVING HHS MANAGEMENT

The President's Management Agenda (PMA) provides a framework to improve the management and performance of HHS. HHS has taken significant steps to institutionalize its focus on results and achieve improved program performance that is important to the HHS mission and the American taxpayer.

Budget and Performance Integration (BPI) aims to improve program performance and results by ensuring that performance information is used to inform funding and management decisions. For FY 2006, HHS operating divisions produced their first "performance budgets" which combine budget and performance information in a single document. With this new format the Department moved from the traditional approach of presenting separate budget justifications and performance

plans to the use of one integrated document to present both budget and performance information. This move also enhanced the availability and use of program and performance information to inform the budget process.

HHS has made significant steps in its implementation of the President's five government-wide management initiatives. The Program Assessment Rating Tool (PART) is an important component of the Budget and Performance Integration initiative and is used to assess program performance and improve the quality of performance information. Sixty-five HHS programs were reviewed in the PART process between FY 2004 and 2006. HHS consolidated 40 personnel offices into four Human Resources Centers, which became operational in January 2004, and is planning several upcoming projects to support Human Capital strategic management. Since the start of the competitive sourcing initiative, HHS has competed almost 25 percent of its commercial activities, resulting in increased efficiencies and savings for the American taxpayer. For example, HHS anticipates gross savings of \$55 million from studies completed in FY 2004, which will be redirected to mission critical activities at HHS. This year, HHS will focus on structuring competitions to maximize efficiencies and savings, as well as implement a savings validation plan. HHS also implemented several processes to improve the financial performance of the Department, such as streamlining and accelerating the annual financial reporting process and combining annual audited financial statements with program performance information in the Department's Performance and Accountability Report. HHS is also continues to implement the Unified Financial Management System throughout the Department. More than 95 percent of HHS' information systems have certified and accredited security plans. Finally, HHS has been working to achieve a more mature Enterprise Architecture that links performance to strategic, capital planning, and budget processes.

Over the past four years, the Administration has worked diligently with the Department to make America and the world healthier. I am proud to build on the HHS record of achievements. For the upcoming fiscal year, the President and I share an aggressive agenda for HHS that advances a healthier, stronger America while upholding fiscal responsibility and good stewardship of the People's money. I look forward to working with Congress as we move forward in this direction. I am happy to answer any questions you may have.